

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
KIVA FORUM-CITY HALL
3939 N. DRINKWATER BOULEVARD
SCOTTSDALE, ARIZONA 85251
JANUARY 24, 2012
REGULAR MEETING
APPROVED MINUTES**

PRESENT: Kate Birchler, Chairwoman
Kathleen Glenn, Commissioner
Michael Hoffman, Commissioner
David Richard, Commissioner
David Scholefield, Commissioner

ABSENT: Mike Surguine, Vice Chairman
Ace Bailey, Commissioner

STAFF: Steve Geiogamah
Rose Wright
Rob Millar
Lee Guillory
Kelly Ward

GUESTS: Rachel Sacco, SCVB
Brent DeRaad, SCVB
Bruce Hernandez, Behavior Research
Kristin Senter
Luna Chase

1. Call to Order/Roll Call

Noting the presence of a quorum, Chairwoman Birchler called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:04 a.m. The Commission welcomed David Scholefield to the TDC who represents the Fairmont Scottsdale Princess and has been a resident of Scottsdale for 11 years.

2. City of Scottsdale Board and Commission Annual Ethics Training Session

Kelly Ward, Senior Assistant City Attorney, provided the Commission with their annual ethics training, focusing particularly on laws related to open meetings, public records, and conflicts of interest. Each Commissioner received a copy of the City Code of Ethical Behavior.

3. Approval of Minutes

- November 15, 2011 Regular Meeting

COMMISSIONER HOFFMAN MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 15, 2011 REGULAR MEETING AS PRESENTED. COMMISSIONER GLENN SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

- November 22, 2011 Special Meeting

COMMISSIONER RICHARD MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 22, 2011 SPECIAL MEETING AS PRESENTED. COMMISSIONER HOFFMAN SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

4. Staff Liaison's Report

- a. Staff Bed Tax Collection Report

Mr. Geiogamah reported that bed tax revenue for November was up 13%. Year-to-date bed tax is up 9%. Hotel sales tax is up 3%, while retail sales tax is up 8%. YTD hotels and resorts are up 6.8%, full service hotels are up 7.5%, and limited service hotels up 8.7%. He explained that an October 2010 audit skewed the numbers compared to October of 2011. The YTD number shown in the report is reflective of the year without the audit number. December preliminary numbers will be available in early February.

Commissioner Richard reported that the fourth quarter leisure sector finished strong. Leisure numbers are expected to dip this year compared to the prior year, reflective of the impact that the Bowl Championship Series game had last year. The group market has been relatively flat, though there has been a very small Average Daily Rate lift. He stated that Scottsdale must really address the group market if occupancy is to recover. The baseball spring training season looks positive.

Commissioner Hoffman said the lack of any major snow events nationally has worked against Scottsdale so far this winter. Commissioner Glenn stated that the last quarter was flat, though the first quarter could be the best in the last eight years. Groups appear to have bigger budgets now and their average spend is higher.

- b. Bed Tax Proforma

The Commission discussed this report in agenda item 5.

- c. Smith Travel Report

Mr. Geiogamah reported that occupancy was down over the past three months compared to last year. ADR is up 6.5%, and RevPar is up 8.2% YTD. Commissioner Richard requested segmented data. Mr. Geiogamah responded that ad hoc reports are available as well as funds to request segmented reports. Commissioner Richard

suggested the Commission review all the available Smith Travel reports and to determine which ones to order. Mr. Geiogamah said staff would send out all the available reports and work with the SCVB to prepare additional information on the group market for next month's meeting.

d. Program Updates

Mr. Geiogamah presented the meeting schedule for the rest of the calendar year. In February, the Commission will receive an update regarding the October work-study session objectives.

5. Tourism Program Financial Review

Lee Guillory reviewed the proforma with data available through December 30, 2011. She noted that a new column has been added for the FY2011/12 estimate, which incorporates a new forecast provided by the Sales Tax Audit Group. The forecast projects about \$12.9 million in revenue for the year. The capital fund pie wedges have increased based on the new estimate, and each is currently about \$658,000. The proforma also now describes how the one-time capital commitment pie wedge will be used.

Ms. Guillory explained that a transfer would be made this month to move money out of the bed tax fund into the transportation fund to cover the cost of the hospitality trolley. Expenses for the trolley totaled \$154,000, but revenue generated from sponsors amounted to \$103,000. The difference was covered by the bed tax.

In response to an inquiry from Chairwoman Birchler, Ms. Guillory explained that the total commitment of the bed tax to the Tony Nelssen Equestrian Center is \$2.3 million. Because last year's carryover of \$1.9 million fell short of covering that amount, the bed tax has to fund the \$400,000 balance out of this year's fund to meet the obligation. Chairwoman Birchler stated that the Commission should make a recommendation to City Council on how bed tax carryover dollars are spent, moving forward.

Commissioner Richard inquired whether the Commission could recommend to Council that some of the carryover be used to develop a strategy for revitalizing group business, which in turn generates more revenue for the City. Ms. Guillory explained that the carryover balance amount would not be known until after the end of the fiscal year. The TDC cannot make a commitment until then. The Event Retention and Development category currently has a budget of \$1.1 million, though most of it has already been allocated. Mr. Geiogamah added that the Commission could make a recommendation for use based on the type of programming and reports they would like to see. Funding under Administration is tight and has already been budgeted. There is an allocation of \$100,000 for a five-year strategic plan, and some of those dollars potentially will be used this year.

Commissioner Richard noted that two years ago the carryover fund was used to help generate business from Europe and Canada. He suggested using that same philosophy to address the current group market problem. Ms. Guillory responded that if the effort falls into the event retention and development category, the TDC could only allocate

18% of the revenues towards those types of expenses this year. If it falls into the administration and professional services category, that category cannot exceed 8% of revenues. If carryover remains at the end of the year, those funds could be used to develop the group business strategy, but not until next fiscal year. Mr. Geiogamah said staff would follow up to clarify whether carryover funds could be used in the current fiscal period.

Commissioner Hoffman suggested that the TDC ask the SCVB to put together a preliminary recommendation on what it would take to stimulate group business so that a substantiated plan exists to back up the request. Chairwoman Birchler clarified that the money should not come from the marketing half of the bed tax; it should come from the other half.

Ms. Guillory reported that the proforma's footnotes were updated to clarify various dollar amounts. The \$1.4 million carryover assumes that two wedges of the multi-year capital commitment do not occur this year. After March 31, the Museum of the West commitment could become available, and the carryover balance could be higher. The final carryover dollar amounts will not be known until September or October.

Commissioner Hoffman expressed the concern that the TDC is throwing money at individual projects rather than supporting a comprehensive plan that unifies all the various entities. He suggested inviting the Greenbrier Group to provide an update, since they are the only group to have proposed a comprehensive plan. Mr. Geiogamah said they would be invited to next month's meeting.

Ms. Guillory reported that City Council has two items scheduled for February 28 related to the equestrian center. The first is a presentation about revenues and expenses. The second is a request to order the steel to be used in construction. These items have been postponed before. Craig Jackson has expressed an interest in having his auto show use the building, and this could lead to a revamp of the project scope. Commissioner Hoffman requested an update from the equestrian center project team.

6. Tourism Development Commission Annual Report

Chairwoman Birchler reported that Mayor Lane invited each of the Board and Commission Chairs to meet with him individually to discuss accomplishments. It was a very positive conversation, and he was very complimentary of the TDC's importance to the city.

Mr. Geiogamah presented the TDC Annual Report, which provides an overview of the discussions and actions that took place over the prior calendar year. It will be forwarded to the City Manager's Office and City Council in February upon approval by the Commission. Chairwoman Birchler requested that the TDC be granted time to review the report. Mr. Geiogamah said the requested action would be agendaized for the February meeting.

7. FY 2011/12 SCVB First Quarter and Mid-Year Performance Measures Report

Mr. Geiogamah reported that 16 total performance measurements are used to evaluate the contract requirements between the City and the SCVB. Currently, 14 of those measurements are exceeding mid-year goals. At mid-year event marketing impression values are lagging behind at 15%, which is mainly attributed to timing issues related to the event season. Overall, the measurements indicate that things are progressing well.

Ms. Sacco stated that from a mid-year marketing standpoint, the SCVB has generated over \$95 million in projected economic impact stemming directly from visitor inquiries. In terms of tourism, staff has met individually with over 2,400 tour operators and travel agents, to ensure that Scottsdale shows up in their programs and is promoted to visitors who want to visit. In six months, the SCVB has already secured \$9.5 million in Scottsdale editorial coverage in a variety of television and print placements. The second half of the year generally sees a spike in exposure, thanks to the large number of events during that portion of the year. The SCVB has also secured \$35 million in definite contracted bookings for Scottsdale/Paradise Valley properties because of the leads that staff has sent out. The performance measures indicate that the Bureau is on track to meeting the goals that have been set. The Convention Sales Department is now fully staffed and sales projections for the coming year should outperform projections. The Board recently heard a presentation regarding two important market initiatives related to New York and Canada.

Mr. Geiogamah said City staff is working with the SCVB to develop new performance measurements in light of the additional dollars the Bureau has received. Once confirmed, the Commission will receive a report.

8. Findings and Implications of the 2011 Leisure Visitor Inquiry Study

Bruce Hernandez, Behavior Research, presented the results of a study on the Scottsdale conversion rate, and identified the visitors who are coming to Scottsdale and their attitudes on the destination once they arrive. The study uses a database generated by the SCVB between April 2010 and March 2011. The twelve-month period is divided into quarterly segments. About 600 interviews were collected in August and September. The confidence level on results is about 4%. The conversion rate of about 91% represents an increase over the last few years, and is tremendously high. The typical Scottsdale visitor is an experienced traveler who has money, time, and the inclination to visit.

Mr. Hernandez said most inquiries are made by females, a fact that has not really changed over the years. The median age has not changed much either, and the typical inquirer is in their mid 50s. Median income is about \$103,000. Most visitors come from the West and Midwest of the U.S. The length of stay now averages about 6.3 nights, which is the highest level reported in the last 14 years. However, people are spending less per day. Party size averages about three people. Resorts attract about 60% of the market. Visitors engage in dining, shopping, day trips, and western-themed activities when they are here. Many people also use Scottsdale as a base to visit Sedona and the Grand Canyon. Many visitors decide to visit Sedona after arriving in Scottsdale. Over

90% of visitors rate Scottsdale as an excellent or very good destination. Those who rate it lower most often complain about the traffic.

9. Election of Officers

Chairwoman Birchler said she has decided to turn over the position of Chair to another Commissioner for the last two months of her term.

COMMISSIONER BIRCHLER MOVED TO ELECT COMMISSIONER MICHAEL HOFFMAN AS CHAIRPERSON. COMMISSIONER RICHARD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0). COMMISSIONER HOFFMAN ABSTAINED.

COMMISSIONER BIRCHLER MOVED TO ELECT COMMISSIONER KATHLEEN GLENN AS VICE-CHAIRPERSON. COMMISSIONER HOFFMAN SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0). COMMISSIONER GLENN ABSTAINED.

10. Identification of Future Agenda Items

Mr. Geiogamah reviewed that future agenda items will include discussions on the Tony Nelssen Equestrian Center, the Greenbrier Multipurpose Event Center, SCVB performance measurements, and additional reports on travel data. A presentation on the DDC is scheduled for February as well. The agenda will also include a discussion related to the Destination Marketing Guide, and an update on the SCVB contract.

11. Public Comment

There were no public comments.

12. Adjournment

The meeting adjourned at 9:13 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.